COLUMBIA BASIN TRUST

a legacy
for the people

ANNUAL REPORT 2002-2003

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Organizational
OVERVIEW

HISTORY

Canada and the United States were facing two major challenges in the Columbia Basin after the Second World War – the "untamed" Columbia River was causing periodic and sometimes devastating flooding, and an upswing in the economy increased the need for energy sources.

In 1964, Canada and the United States ratified the Columbia River Treaty. The purpose of the Columbia River Treaty is to coordinate flood control and optimize electrical energy production in the Columbia River Basin in the United States and Canada. Under the Columbia River Treaty, Canada agreed to build three storage dams – Duncan (1968), Keenleyside (1969) and Mica (1973) – in the Canadian Columbia Basin. The Treaty allowed for a fourth dam – Libby (1973) – to be built in the United States with a large portion of its reservoir in southeastern British Columbia.

In return for the storage of water, Canada is entitled to one half of the additional power generated at the American power plants on the Columbia River. The Province of B.C., which owns this "Canadian Entitlement of Downstream Benefits," sold the first 30 years of these benefits to a group of U.S. utilities for $254 million U.S. The Province is now receiving the Canadian Entitlement for the remaining 30 years of the Columbia River Treaty.

During the creation of the Columbia River Treaty, there was a lack of consultation and public involvement of the residents of the Canadian Columbia Basin, even though they were the ones most impacted.

- 2,300 people along the Arrow Lakes and the Koocanusa, Duncan and Kinbasket reservoirs were displaced.
- Sixty thousand hectares (500 square kilometres) of high-value, valley-bottom land was flooded.
- Numerous First Nations' archaeological and burial sites were submerged or buried.
- Areas that were critical to the cultural, economic and environmental well-being of the region were lost.

The region is still dealing with the on-going impacts from the rise and fall of water levels:

- Recreation on reservoirs is limited because of the large seasonal fluctuations of the water levels, thereby limiting potential economic development through tourism.
- Fish and wildlife species and populations are impacted by the loss of key habitat and this increases pressures on residual low elevation areas.
- Dust storms around reservoirs impact human health at times of low water.
- Transportation infrastructure in the region is more complex and difficult to maintain.
- Agriculture and forestry activities are limited due to the loss of fertile, low-elevation land.

By the early 1990's, people of the Columbia Basin became aware that an opportunity for public involvement might present itself. The sale of the first 30 years of B.C.'s share of the downstream benefits through the Columbia River Treaty was about to expire. Residents of the region felt local people should be given more say in matters concerning environmental, economic and social health.

Leaders from First Nations, local communities and the Province of B.C, worked together on an agreement that recognizes the continuing impacts from the historical management of water in this region. In 1995, the Columbia Basin Trust was formed with a unique mandate to support the efforts of the people of the Basin to create a legacy of social, economic and environmental well-being in the region most affected by the Columbia River Treaty.

Through a financial agreement with the Province of B.C., the Columbia Basin Trust was endowed with $295 million, approximately five per cent of the downstream benefits owned by the Province of B.C. $250 million of the capital is to be invested in joint venture power projects with the Province of B.C., and $45 million as endowment capital.

VISION

The Columbia River Basin is a place where:

- Social, environmental and economic well-being is fostered.
- Collaborative relationships and partnerships are established across the Basin, with communities working together in a spirit of mutual support and respect for each other's differences.
- Residents identify with a Basin culture and feel a sense of belonging to a Basin community.
- A healthy environment forms the basis for social and economic activities and residents are committed to a long-term and enduring stewardship of the Basin's natural resources.
- The economy is diverse, resilient and energized.

The Columbia Basin Trust will have:

- A successful portfolio of investments in the Basin that help to stimulate the regional economy and provide a reliable stream of income for use in the Columbia Basin Trust's delivery of benefits.
- A proven track record in delivering social, economic and environmental benefits to the Basin and its residents.
- Well established and productive working relationships with others in the Basin whose activities relate to the Columbia Basin Trust's mandate.
- Consistent and widespread public support for the Columbia Basin Trust's activities based on meaningful public input and Columbia Basin Trust's responsiveness to the needs of the Basin and its people.

MISSION

The Columbia Basin Trust supports efforts by the people of the Basin to create a legacy of social, economic and environmental well-being and to achieve greater self-sufficiency for present and future generations.

VALUES

The values of the Columbia Basin Trust under which the Board of Directors and staff of the Columbia Basin Trust work are: Inclusive, Efficient, Respectful, Community-based, Sustainable, Responsible, Supportive, Creative, and Responsive.

ENABLING LEGISLATION

The Columbia Basin Trust Act, 1995.

DESCRIPTION OF PRODUCTS AND SERVICES

1. Management of Columbia Basin Trust's assets, including monies allocated by the Province for power projects.

2. Using the income earned from Columbia Basin Trust's investments to deliver benefits to the region in the areas of social well-being, preservation, protection and enhancement of the environment, and economic development without relieving governments of their obligations.

LOCATION OF OPERATIONS

The Columbia Basin Trust serves the southeast corner of B.C., its boundaries defined by the watersheds flowing into the Columbia River in Canada. It has offices in four locations: Nakusp, Golden, Cranbrook and the corporate head office in Castlegar.

PRINCIPAL MARKETS AND CLIENTS SERVED

Residents of the Canadian Columbia Basin are served by the Columbia Basin Trust.

Message
FROM THE CHAIR

This past year has seen the completion of the construction of the Arrow Lakes Generating Station ahead of schedule and within budget. As we move into the operations of this plant, we will be able to remove some of our equity and begin our next project, the construction of the Brilliant Expansion Project.

The Brilliant Expansion Project will entail the construction of a second powerhouse to expand the generating capacity at the Brilliant Dam by 120 megawatts of electricity by utilizing water that is currently spilled over the dam.

This will significantly improve on the environmental impact of wasted spill. As indicated by letters of support from several independent environmental organizations, this has proven to be an economic and environmentally friendly project, perfect for the Columbia Basin Trust to undertake.

Modernizing our asset by completing the upgrades on the Brilliant Dam have also allowed Columbia Basin Trust to produce an additional 20 megawatts of electricity thus creating a positive return on investment for a whole generation of Basin residents.

Our partnership with the Province, and the commitment the Province has made to the region, has helped us continue to support our mandate under the *Columbia Basin Trust Act*. We have met our projections for income generation and providing benefits to the region. We have also received bonus income for the early completion of Arrow Lakes Generating Station.

This year has seen the Columbia Basin Trust take a greater role in working with residents in water initiatives advocacy, which we hope will ensure the region can maximize the benefits while reducing possible impacts of how water is managed in the region.

Recent proposed changes by the U.S. Army Corps of Engineers is an excellent example of where great benefits may be realized, providing we can be assured that possible impacts to other regions are minimized.

Our goal is to work closely with the public and involved agencies to create a better understanding of the critical issues in order to move toward acceptable solutions for our region.

Looking to the future, we will be working with the Province to find more efficient ways to manage the power assets on a more regional basis.

The Columbia Basin Trust Board is committed to finding further methods to make our regional programs more responsive to communities' needs over the coming year.

Message
FROM THE CEO

This annual report marks the end of another busy and productive year at the Columbia Basin Trust. We continue to work hard to deliver benefits to the people of the Basin, and to continually learn and improve as an organization.

At the time of the writing of this report, the Columbia Basin Trust has still not completed the Provincial Government's Core Services Review. This process has continued to demand significant time and energy on the part of senior management and the Board, however, we continue to work cooperatively with provincial representatives and we anticipate completion early in fiscal 2004.

In this expectation, we have been busy positioning Columbia Basin Trust for the future. We held a Board/staff planning session in December 2002 where we examined the work we have done since the external review and public meetings that took place in our last fiscal year. In this process, we went back to our Mission as outlined in the Columbia Basin Management Plan, which is *The Columbia Basin Trust supports efforts by the people of the Basin to create a legacy of social, economic and environmental well-being and to achieve greater self-sufficiency for present and future generations.*

Given the significant changes underway in the province, and the difficult times facing rural communities, the Board of Directors reinforced the need for us to work with communities in a manner that builds capacity, community by community and across the Basin. Our number one organizational objective is to review all of our programs and operational structures to ensure they are consistent with this direction. As we build new programs and mechanisms in the future they will be evaluated to determine if they further the vision of greater self-sufficiency throughout the Basin. We are also developing a set of principles to guide us in implementing this approach to working more closely with Basin communities.

The Columbia Basin Management Plan (the Plan) has served the Columbia Basin Trust and the people of the Basin well for the last six years, but it needs to be reviewed and updated. We have begun that work and will be entering into a consultative process over the next few months to create a new version of the Plan that will allow us to ensure it remains a vibrant and relevant document.

As promised in my message in the last annual report, we have completed the development of a comprehensive Investment Policy and Procedures document. This important piece of policy work ensures the Columbia Basin Trust manages the non-power investment program in a professional and prudent manner.

Our non-power investment endowment capital has grown from its original $45 million to over $52 million, and our investments throughout the Basin continue to provide income for the delivery of benefits, while also providing an important source of capital for Basin businesses.

On the power side, the Arrow Lakes Generating Station came on line during the past year, on budget and ahead of schedule. We also made the commitment to proceed with the Brilliant Expansion Project. This project is expected to come on stream in the summer of 2006 and will provide substantial returns to the Columbia Basin Trust and, through us, to the people of the Basin.

On the delivery of benefits side, we continue to work with the volunteers on our sector committees, with local governments, and with our partner agencies to deliver a broad array of funding programs throughout the Basin. This past year we have delivered over $4 million through our various programs. We will deliver the same or more in the coming year.

We have expanded our programming with youth and now have many youth volunteers actively involved in working with the Columbia Basin Trust to ensure that future generations are impacting the organization now, not just in the future. We are continually amazed at the energy, vitality, commitment and wisdom of the young people of the Basin. We thank them for the tremendous contributions they bring to the Columbia Basin Trust and to their individual schools and communities.

We have developed a comprehensive Water Initiatives Strategy. The goals of the strategy are to both educate and engage people in the Basin with regard to water related issues. There is no doubt in our minds that water related issues will become increasingly important in the next few years. We will be undertaking an extensive outreach program to consult and coordinate with individuals, organizations and communities as we develop this strategy more fully.

The challenge of the Columbia Basin Trust is that our work is never done. The wonder of the Columbia Basin Trust is that our work is never done. We continue to live with that duality and we continue to rely on our Board of Directors, our staff team, our many volunteers and our community partners as we continue to try to fulfill our Mission.

The Year
IN REVIEW

The Columbia Basin Trust met or made significant progress towards meeting the strategic goals put forward in the 2003-2005 Service Plan for fiscal year (FY) 2003. The organization's goals to increase the capacity of Basin communities to identify and meet their own needs and adapt to economic changes closely match the Province's strategic priorities. This is particularly true in the Province's heartland where the economy has been severely impacted by the softwood lumber dispute and government cutbacks necessary to meet fiscal priorities.

In the early years of development, the Columbia Basin Trust tried to meet all aspects of its broad mandate. As a result of the December 2002 Board/staff planning session, a task force was struck to review the mandate in order to provide more effectively for Basin strategic priorities. As these programs develop a sustainable economic base in the area, the stakeholders, both in the Basin and in the Province as a whole, will benefit as the region becomes more self-sufficient.

The following is a brief overview of the work done this year:

Corporate Services:

- Columbia Basin Trust stakeholders given timely information on its programs and financial activities.
- Evaluation of the delivery model completed; new directions being developed.
- Columbia Basin Management Plan being reviewed to ensure it reflects current Basin resident priorities and is user friendly.
- Regional offices ensure public has access to Columbia Basin Trust staff.
- Over 2,500 stakeholders met through trade fairs and public meetings.
- Evaluation issues raised by consultant addressed; delivery model evaluation and policy for on-going monitoring and evaluation of all Columbia Basin Trust activities is being developed.
- Changing times and strategic directions addressed through Board/staff planning session.

Power:

- Arrow Lakes Generating Station Turbine Unit Two started producing power commercially in May 2002. CBT Energy Inc. and Columbia Power Corporation took possession of the Arrow Lakes Generating Station on Jan. 1, 2003.
- Upgrades to the Brilliant Dam, including the four turbines, completed as of December 2002 and in service.

WHAT WE ACCOMPLISHED:

Arrow Lakes Generating Station Turbine Unit Two started producing power commercially

Upgrades to the Brilliant Dam completed

Non-Power Investments:

- The real value of the original $45 million endowment capital maintained and now stands at $52.1 million.
- Columbia Basin Trust Board of Directors adopted industry standard Statement of Investment Policy and Procedures.
- Cash flow from investments continue at industry standards, established as a return on investment of six per cent per annum over a rolling eight-year period.
- Cash flow from investments used to deliver benefits to the Columbia Basin.

Delivery of Benefits:

- Staff commenced work with communities to address local priorities, self-sufficiency, community capacity building and sustainability.
- Basin youth are engaged in Columbia Basin Trust programs at many levels, from planning programs to developing communications tools to funding youth projects.
- Staff available to work with key stakeholders.
- $4.04 million delivered in the areas of economic, environment, education and social initiatives.
- Staff work with local organizations who act as delivery agents to ensure smooth program delivery and organizational capacity building.

$4.04 million delivered in the areas of economic, environment, education and social initiatives

The real value of the original $45 million endowment capital maintained and now stands at $52.1 million

Risk Management Strategy Report:

- Columbia Basin Trust is working to bring new industry to the area.
- The Columbia Basin Trust and the Northwest Power Planning Council in the U.S. have a formalized relationship and are working together on cross border issues.
- Columbia Basin Trust continues to work with local credit unions and Community Futures Development Corporations and provides its own venture capital to encourage business growth in the region.
- The risk level of Columbia Basin Trust's investment portfolio closely examined to conform to industry standards.
- As of March 31, 2003, Columbia Basin Trust had not completed the Core Services Review process. In depth work on the delivery model, communications to residents on new directions, and the work of partners, has been postponed until the Core Services Review process is complete.
- Board of Directors will be reviewing policies to respond to economic pressures and investment opportunities in the electrical generation industry in the summer of 2003.

Report
ON PERFORMANCE

Columbia Basin Trust's 2003-2005 Service Plan outlines its strategic direction in the overall goals of each of its four strategic areas:

Corporate services to stakeholders:
- to facilitate excellent policy and decision making by the Board of Directors.

Power projects:
- to work with its joint venture partner, the Columbia Power Corporation, to develop power generation projects.

Non-power investments:
- to secure the capital of Columbia Basin Trust's overall legacy and maintain a steady income flow for the delivery of benefits to the region.

Delivery of benefits:
- to spend the income earned from the Columbia Basin Trust's investments to create a region where economic, environmental and social well-being is fostered.

A review of the allocation of resources in the context of Columbia Basin Trust's strategic directions and the best value to be obtained from those resources were addressed at the Board/staff planning session in December 2002. This work will continue through FY 2004. Current resource allocations are made in the context of the broad mandate, as directed by Basin residents, of the Columbia Basin Management Plan. The Columbia Basin Management Plan was created in 1997 in response to local conditions.

Much of the funding currently provided by Columbia Basin Trust's delivery of benefits and investments provide leverage for other funding to be obtained by the project proponents, thereby enhancing the economic viability of the area.

Partner organizations include the Columbia Power Corporation, as manager of the power projects, local governments in the delivery of community initiative benefits, delivery agents in a variety of sectors, and local credit unions and Community Futures Development Corporations. These partner organizations are vital to Columbia Basin Trust's achievements, developing local capacity and keeping Columbia Basin Trust as a slim, non-bureaucratic organization, which does not duplicate, but enhances services already available in the Basin. The Columbia Basin Trust staff, committees and delivery partners will be working together to implement a monitoring and evaluation policy late in FY 2004. This will ensure a more systematic and results based approach to the work currently being done by partner organizations on behalf of the Columbia Basin Trust.

A review of Columbia Basin Trust's capacity to meet its needs will be undertaken within the context of new directions coming from the Board of Directors. This work will be undertaken in the summer of 2003 as the status of the organization evolves.

Performance Measures, Targets and Results:

The Columbia Basin Trust is committed to public transparency and intends to report on its accomplishments in a regular and systematic way. It also understands the value of the Auditor General's *Reporting Principles for British Columbia* in assisting organizations to meet its objectives of public transparency and accountability. However, performance measurement is an evolving process and because the Columbia Basin Trust is a young and developing organization with a very broad mandate its challenges in the area of performance measurement are great. It needs to work on utilizing the reporting principles to assist in meeting these challenges.

Columbia Basin Trust is working to develop its internal performance measurement capacity. There have been improvements in performance reporting to date, but challenges still remain with respect to:

- developing more focus in its strategic direction and building consistency into its objectives and strategies so that appropriate measures and targets can be identified and used over time to measure and report on its progress.
- developing outcome measures rather than relying on output and milestones measures.
- using benchmarks that will allow comparisons with similar organizations in terms of performance to the extent possible given its uniqueness as an organization.
- linking resources with strategies and results and ensuring that its financial and non-financial information is more closely linked.
- providing for adequate staff time and expertise to meet the expectations of good quality performance measurement.

Columbia Basin Trust expects that the work it is doing in FY 2004 to supplement its current financial report with more detailed cost information as part of the report on performance will result in an improvement in next year's annual report.

With a clear understanding of the limitations that these challenges pose, this report provides the results for Columbia Basin Trust FY 2003 performance measures for the targets established for FY 2003 in the 2003-2005 Service Plan. Where there is sufficient consistency in the goals, objectives, strategies and measures for meaningful comparisons to be made, this report provides performance measures comparisons with:

- its historical targets (FY 2002).[1]
- its targets for FY 2003 (as outlined in the 2003-2005 Service Plan).
- its forecast targets for FY 2004 (as outlined in the 2003-2005 Service Plan or where indicated from the 2004-2006 Service Plan because it provided more up to date targets).

[1] Historical comparisons are only possible for FY 2002 as Columbia Basin Trust was not required to file a Performance Service Plan prior to that date.

CORPORATE SERVICES TO STAKEHOLDERS

Overall Goal: The Columbia Basin Trust will facilitate excellent policy and decision making by the Board of Directors, review its delivery model, processes and procedures, and enable Columbia Basin Trust staff to spend the majority of their time working directly with the people of the Basin, building partnerships to avoid duplication and enabling the basin-wide priorities of the Columbia Basin Management Plan to be accomplished.

Informed Public:

Objective: Give stakeholders clear and timely information on Columbia Basin Trust, its programs and financial activities. Enable stakeholders to easily access Columbia Basin Trust and its programs.

	Actual	Target
02-03	Report to Residents developed and distributed to each Basin household September 2002.	Public continues to have detailed information on Columbia Basin Trust programs. Positive public feedback on Columbia Basin Trust communications.
01-02 (Historical)	Achieved.	Twice a year, a publication is produced and distributed throughout the Basin.
03-04	Work has commenced on a communications evaluation which will include a process for assessing Basin residents' knowledge of and satisfaction with Columbia Basin Trust programs. Fall 2003 is now being targeted to solicit feedback.	Baseline of Basin residents informed about Columbia Basin Trust and providing feedback to be established by survey in spring 2003.
04-05	Work from FY 2004 should ensure meeting this target.	Public continues to have detailed information on Columbia Basin Trust programs. Positive public feedback on Columbia Basin Trust communications.

In addition to the distribution of the Report to Residents, a communications evaluation to get public feedback on Columbia Basin Trust communications was planned for FY 2003 but this was postponed to FY 2004 due to anticipated organizational changes associated with the response to the Landfall evaluation[1], review of the Columbia Basin Management Plan, and the outcome of the Core Services Review process.

[1] In FY 2002, the Columbia Basin Trust contracted the services of the consultant firm of Landfall Associates to undertake a comprehensive organizational evaluation. The outcomes and work related to this evaluation is referred to in this report as the Landfall evaluation.

Delivery Model Evaluation:

Objective: Through evaluating the delivery model, ensure Columbia Basin Trust funding is delivered to Basin residents in an effective and efficient manner.

	Actual	Target
02-03	Delivery model evaluation data collection completed.	Delivery model evaluation completed and changes have Board approval.
03-04	In addition to the current evaluation of the delivery model, the proposed (but not yet board approved) monitoring and evaluation policy has committed the Columbia Basin Trust to on-going and periodic evaluations of its delivery model. A plan for fall 2003 is likely optimistic.	Program and delivery model evaluation (periodic/on-going) plan developed by fall 2003.
04-05	Once approved by the Board, any changes to the delivery model coming out of the evaluation, as well as all future changes, will ensure that this target of continually improving the delivery of benefits will be met.	Funds are delivered consistent with an improved delivery model.

Analysis of evaluation data and recommended changes in the model have been postponed to ensure consistency with the review of the Columbia Basin Management Plan and outcomes of the work associated with Landfall evaluation.

Columbia Basin Management Plan Review:

Objective: Ensure the Columbia Basin Management Plan, which guides Columbia Basin Trust activities, is reviewed to reflect the priorities of Basin residents.

	Actual	Target
02-03	Evaluation plan being developed, internal review complete, external review will begin summer 2003.	Board approved evaluation plan for the Columbia Basin Management Plan (the Plan) review. Review complete.
03-04	Achieving this milestone is anticipated for FY 2004.	New Plan is approved by the Board at a public meeting.
04-05	Achieving this milestone is anticipated for FY 2005.	New Plan is operational. Benefits reflect regional priorities.

Meeting Basin Residents' Priorities:

This objective has been moved to the Delivery of Benefits section (see Delivery of Benefits Objective: Gaining Knowledge of Residents' Priorities).

Prompt Response to Public:

Objective: Procedures streamlined to provide prompt response to public.

	Actual	Target
02-03	No complaints received.	No complaints received from public regarding response time.

The organization discontinued use of this strategy in the 2004-2006 Service Plan because it was felt that better strategies with more powerful measures could be developed.

Public Access to Quarterly Financial Reports:

Objective: Provide "read only" quarterly financial reports to public through corporate website.

	Actual	Target
02-03	Quarterly financial reports are not currently on the web-site.	Quarterly financial reports on website.
03-04	Quarterly financial reports commence publication on website in FY 2004. Monitoring and review of public access will be delayed until FY 2005.	Monitor and review public access to reports through number accessing website.
04-05	We will be monitoring and reviewing numbers accessing website in FY 2005.	Monitor and review public access to reports through number accessing website.

Organizational priorities and limited staff resources prevented FY 2003 target to be met.

Meeting Columbia Basin Trust's Public:

Objective: Attend trade fairs and public meetings to meet with stakeholders.

	Actual	Target
02-03	Target met. Meeting with 1746 stakeholders through 11 regular events. One special event (Arrow Lakes Generating Station community day) had 780 stakeholders attend.	Face-to-face conversations with at least 1,000 stakeholders.
01-02 (Historical)	Trade fairs attended.	Columbia Basin Trust participates in at least six trade fairs.

In the 2004-2006 Service Plan, the organization changed its strategies for communicating with the public, to include more powerful measures. No forecast targets are available for comparisons.

On-line Applications:

Objective: Program applications and evaluations available to stakeholders through website.

	Actual	Target
02-03	Although the website was not programmed to process electronic applications, an average of 45% of all applications were received electronically.	20% of applications submitted through website.
03-04	Anticipate this figure will be exceeded.	15% electronic applications received (from 2004-2006 Service Plan).
04-05	Achievable.	20% electronic applications received (from 2004-2006 Service Plan).

Addressing the Landfall Evaluation: *(see footnote on Page 12)*

Objective: Ensure issues raised by monitoring and evaluation by professional concultants, Landfall Consultants (Landfall), are addressed.

	Actual	Target
02-03	Target achieved in part, results from Landfall analyzed and three Board task forces struck to address issues.	Issues are prioritized for response and strategies for addressing issues are approved by the Board. Operational plans are changed to meet new Board policies.

The results of the preliminary work completed by the task forces must be integrated into organizational changes associated with the Columbia Basin Management Plan review. New policies will be sent to the Board for approval and incorporated into operational plans. This work has to be coordinated with a number of significant organizational changes including the outcomes of the Core Services Review process that has taken longer than anticipated. No targets were forecast in the 2004-2006 Service Plan.

Supporting Decision-Making Through Monitoring and Evaluation:

Objective: Ensure consistent and meaningful data required to support decision-making is being collected through monitoring and evaluation processes.

	Actual	Target
02-03	Target not met.	Performance indicators for all Columbia Basin Trust programs are identified in consultation with committees and partners.
01-02 (Historical)	Not achieved.	Framework for evaluation is established.
03-04	The proposed (but not yet Board approved) monitoring and evaluation policy has committed the Columbia Basin Trust to on-going program evaluation. A plan for fall 2003 is likely optimistic.	Program and delivery model evaluation plan developed by fall 2003.
04-05	The implementation of the monitoring and evaluation policy, when approved, is intended to be done incrementally. By FY 2005, it is anticipated that substantial progress is likely to have been made, but it is unlikely that the target will be fully met.	Performance data is collected and utilized for decision-making by all Columbia Basin Trust staff, partners and committees.

Board approval for the monitoring and evaluation policy needed to support the development of performance indicators has been delayed because of the significant organizational changes coming out of the review of the Landfall evaluation and Columbia Basin Management Plan. (See explanation above.)

POWER PROJECTS

Overall Goal: To work with our joint venture partner, the Columbia Power Corporation, to develop power generation projects.

According to the 1995 Financial Agreement with the Province, both the Columbia Basin Trust and Columbia Power Corporation would receive $250 million over 10 years to invest in the Keenleyside, Brilliant Expansion, Waneta Expansion power projects, and such other power projects as Columbia Power Corporation and the Columbia Basin Trust may agree. The Columbia Basin Trust and Columbia Power Corporation became joint venture partners in 1996, with Columbia Power Corporation contracted as the Manager. Since then, the joint ventures have completed significant upgrades to their Brilliant Dam facility, which they purchased in 1996.

The joint venture partners have also completed construction of the Arrow Lakes Generating Station, located 400 metres downstream from BC Hydro's Keenleyside Dam on the Columbia River. The newly completed power plant has a capacity of 185 megawatts. Construction on the project began in 1999. In 2002, both of the power plant's generating units commenced commercial operation.

The joint venture partners are currently engaged in the construction of the Brilliant Expansion Project. The project entails the construction of a 120-megawatt power plant, to be located just downstream from the Brilliant Dam on the Kootenay River. The Brilliant Expansion Project will utilize the hydraulic head of the existing Brilliant Dam.

In order to effectively manage Columbia Basin Trust's 50 per cent interest in the power projects and to ensure that the Columbia Basin Trust had the appropriate expertise to participate in the energy industry, Columbia Basin Trust incorporated CBT Energy Inc. in September 2000. CBT Energy Inc. supports the mission and vision of the Columbia Basin Trust in the energy area and represents the Columbia Basin Trust on the power project joint ventures with Columbia Power Corporation. Through its oversight of the Manager, CBT Energy Inc. provides direction for its investments.

CBT Energy Inc.'s Board of Directors is composed of Columbia Basin Trust representatives and energy industry experts. Industry experts supply the knowledge and direct energy business experience required to effectively monitor joint venture management and provide expert policy direction.

CBT Energy Inc. ensures that the Manager's criteria for executing business on behalf of the joint ventures adheres to industry standards and to the Columbia Basin Trust's goals, objectives and strategies, and that appropriate performance measures are included.

Arrow Lakes Generating Station:

Objective: Protect the value of Columbia Basin Trust's assets and continue development of power generation projects at Arrow Lakes Generating Station (ALGS) within the guidelines of the Financial Agreement.

The ALGS has a capacity of 185 megawatts. The project includes a 48-kilometre, 230-kilovolt transmission line, which connects the power plant to BC Hydro's Selkirk substation. The approximate cost of the generating project was $314 million.

The output from ALGS is sold to BC Hydro for 12 years, beginning Jan. 1, 2003.

	Actual	Target
02-03	ALGS construction completed. Income commenced. Resolution of outstanding business issues with contractor proceeding.	Income commences from ALGS. Outstanding business issues with Kiewit Construction resolved.
03-04	Target adjusted based on updated financial forecast.	$2.5 million in net income from ALGS power sales (from 2004-2006 Service Plan disaggregated from total power project income).
04-05	Target adjusted based on updated financial forecasts.	$2.8 million in net income from ALGS power sales (from 2004-2006 Service Plan disaggregated from total power project income).

Target in 2003-2005 Service Plan was revised from "Arrow Lakes Generating Station at projected levels" to indicate the projected income in the 2004-2006 Service Plan. Therefore, the outcome target is used here for the FY 2005 forecast.

Brilliant Upgrades:

Objective: Protect the value of Columbia Basin Trust's assets and continue development of power generation projects with the Brilliant Upgrades within the guidelines of the Financial Agreement.

	Actual	Target
02-03	Upgrades completed in December 2002. Brilliant Dam now has an additional 20 megawatts of capacity.	Upgrade of turbines complete.
03-04	Target adjusted based on updated financial forecasts.	$2.9 million in net income from Brilliant power plant power sales (from 2004-2006 Service Plan disaggregated from total power project income).
04-05	Target to be adjusted based on updated financial forecasts.	$3.2 million in net income from Brilliant power plant power sales (from 2004-2006 Service Plan disaggregated from total power project income).

The 2004-2006 Service Plan targeted sales for the Brilliant Dam based on the assumption of the turbines being upgraded, so these outcome targets were chosen for the forecast targets here.

Brilliant Expansion Project:

Objective: Protect the value of Columbia Basin Trust's assets and continue development of power generation projects with the Brilliant Expansion Project within the guidelines of the Financial Agreement.

The design-build contractor, the Brilliant Expansion Consortium, will build the Brilliant Expansion Project. The design-build agreement is valued at $167 million. When complete, the power plant will have a capacity of 120 megawatts. Construction began in spring 2003 and is scheduled to be complete in August 2006. The Brilliant Expansion Project will make use of water that is now spilled over the Brilliant Dam.

	Actual	Target
02-03	Options for Brilliant Expansion Project power marketing being pursued. Design-build contract signed with Brilliant Expansion Consortium (composed of Skanska-Chant JV, SNC-Lavalin Inc. and Skanska International Civil Engineering AB). Construction to begin in spring 2003 and end in 2006.	Brilliant Expansion Project and power marketing commenced. Design/build competition for turn key facility contract let. Construction to start in fall 2002 if bid acceptable.
03-04	Construction to begin in spring 2003. The Brilliant Expansion Project is under way.	Brilliant Expansion Project well under way. Continued oversight of construction project.
04-05	Brilliant Expansion Project to be completed in 2006.	Brilliant Expansion Project completed by year-end. Income from electricity realized.

The successful bid submitted by the Brilliant Expansion Consortium required proposal-specific amendments to environmental and regulatory approvals, which were received.

Waneta Expansion Project:

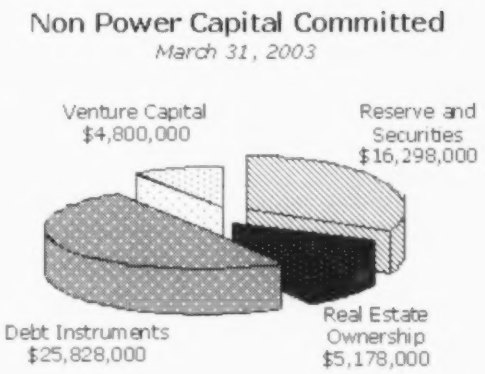
Objective: Protect the value of Columbia Basin Trust's assets and continue development of power generation projects with review of the Waneta Expansion Project within the guidelines ofthe Financial Agreement.

	Actual	Target
02-03	Investigation of environmental issues in progress. Preparation of data reports underway. Modeling partially complete. Transmission line and substation engineering underway.	Eliminate risks by further investigation of environmental issues. Hydraulic modeling, transmission line and substation engineering.
03-04	Target will likely be met.	Eliminate risks by further investigation of environmental issues.
04-05	Target will likely be met in FY 2006 given the joint venture partners' current focus on the completion of the Brilliant Expansion Project.	Assess project and develop design/build strategy. Assess private sector partnerships.

NON-POWER INVESTMENTS

Overall Goal: To secure the capital of the Columbia Basin Trust's overall legacy as directed by the public of the region, and to invest the capital of the Columbia Basin Trust. As directed by theColumbia Basin Management Plan, maintain a steady income flow for the delivery of benefits to the region.

Endowment Capital Protection Strategy:
Invest strategically to keep endowment capital intact and concurrent with inflation.



	Actual	Target
02-03	Target met. Real value of capital maintained. Endowment capital at $52.1 million.	Endowment capital at $51.5 million based on anticipated 3% inflation rate.

No historical comparisons for this strategy exist because the 2002-2004 Performance Plan focused on the development of internal capacity for managing the investment program and achieving markets rates of return on existing investments. As well, no forecast targets are indicated in the 2004-2006 Service Plan because the focus was on the overall rate of return on investments at a level that would ensure protection of the endowment capital.

Investment Program Policy Development Strategy:
Develop comprehensive policy to deliver income from investments.

	Actual	Target
02-03	Policy developed by Watson Wyatt Worldwide approved by Board on March 15, 2003.	Determine appropriate on-going role for Watson Wyatt Worldwide to further assist Board policy decisions/ review.

Although the 2002-2004 Performance Plan focused on building internal capacity it became evident by the end of FY 2002 that external expertise was needed to assist in developing an investment program policy to assist the organization in ensuring that investment program goals are met. No historical targets are consistent with this strategy. FY 2004 focused on developing policy through the contract services of Watson Wyatt Worldwide. By the end of FY 2004 the organization expects the policy recommended by Watson Wyatt Worldwide to be implemented. This milestone measure and target in future Service Plans will focus on rates of return so there are no forecast targets consistent with this strategy.

Investment Cash Flows Strategy:

Provide long-term cash flow from investments.

	Actual	Target
02-03	Establishment of a primary rate of return objective. To achieve a return on investment of 6% per annum over rolling eight-year periods.	Cash flow from investments continues at industry standards.
01-02 (Historical)	Investments had started to provide market rates of return.	All investments in portfolio are providing or starting to provide market rates of return.
03-04	Establishment of a benchmark rate of return on a eight-year rolling average excluding venture capital returns.	6% rate of return on gross revenue excluding venture capital returns.
04-05	Implemenation of the policy will enable the organization to make better predictions of future rate on return. Future Service Plans will provide predictions to report against.	Rate of return consistent with Watson Wyatt Worldwide policy and procedures after implementation (from 2004-2006 Service Plan).

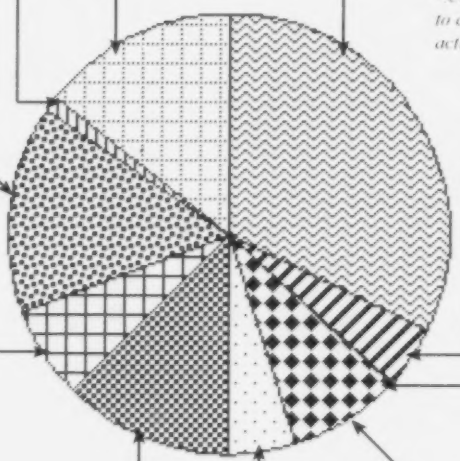
Columbia Basin Trust's 2001-2002 Annual Report focused on the objectives around developing internal capacity and investment policy and reported on that developmental work but rate of return targets were added here for a historical comparison because the goal of attaining market rates of return were starting to be realized.

Watson Wyatt Worldwide was engaged by the Columbia Basin Trust to assist in developing a governance structure and strategic investment policy. On March 15, 2003 the Columbia Basin Trust Board of Directors adopted the industry standard Statement of Investment Policy and Procedures. The policy included the establishment of a benchmark rate of return on an eight-year rolling average. The Association of Investment Management and Research Performance Presentation Standards were adopted as part of the policy for determining the performance of Columbia Basin Trust's investments. The Association of Investment Management and Research Code of Ethics for Managers was adopted. As part of the policy, Columbia Basin Trust will encourage the practice of working in a professional and ethical manner when dealing with the public, clients, prospects, employers, employees and fellow members.

DELIVERY OF BENEFITS

Delivery of Benefits Programs

Fiscal Year 2003
$4,036,000



Social 14%
- *Early Childhood Support*
- *Families*
- *Basin Youth in Communities*
- *Capacity Building*
- *Options Program*

Joint Program 1%
- *Options Program - projects funded jointly between two or more sectors.*

Geographic 32%
- *Community Initiatives - funding to communities to support local activities.*

Environment 15%
- *Community Environmental Projects*
- *Environmental Education and Awareness*
- *Environmental Conditions*
- *Options Program*

Basin 4% - basin-wide programs
- *Basin Information Network*
- *Endowment Support for Community Foundations*
- *Telecommunications Infrastructure*
- *Dispute Resolution*
- *Land Trust*
- *Living Landscapes*

Education 7%
- *Resources for Family Literacy*
- *Training Fee Support*
- *Options Program*

Water Initiatives 1%
- *Education Strategy*
- *Water Initiatives Panel*

Economic 13%
- *Basin Business Advocates*
- *Rural Economic Development*
- *Micro Lending*
- *Options Program*

Youth Initiatives 8%
- *Youth Community Service Awards*
- *Youth Links*
- *Youth Media*
- *Youth Forum*
- *North American Community Services*

Arts, Heritage and Culture Sector 5%
- *Funding Support to Community Arts Councils*
- *Capital Funding*
- *Funding Support to Touring*
- *Mentoring Master Classes Program*
- *Art Council Development*
- *ArtsSmarts in Schools*
- *Options Program*

Note of explanation regarding level of reporting:
For the 2004-2006 Service Plan, the Columbia Basin Trust was advised to report at a much higher level than was the case in the 2003-2005 Service Plan. There was significant organizational value to report at a higher level in this Annual Service Plan Report, but to do so the Delivery of Benefits section of the 2003-2005 Service Plan needed to be recreated to reflect this change in the level of reporting. Therefore, this section of the Report on Performance will not be consistent with the 2003-2005 Service Plan. However, the level of reporting will be consistent with the 2004-2006 Service Plan and all future Service Plans. In addition, it will address the Auditor General's recommendation that the Columbia Basin Trust focus on a few critical aspects of performance and will move this report and future Service Plans and Annual Service Plan Reports towards greater consistency.

To assist in understanding the changes that were made to accomplish this, this section of the report on performance includes a revised version of the Service Plan before providing the comparative information on results.

Overall Goal: To spend the income earned from the Columbia Basin Trust's investments to create a region where economic, environmental and social well-being is fostered and the economy is diverse, resilient and energized through:

1. Enhanced self-sufficiency of communities and individuals.
2. Supporting development of youth in the Basin.
3. Enhancing or strengthening the social, economic, environmental, educational and cultural well-being of the Basin and its communities.
4. Enhanced ability of the Columbia Basin Trust to meet, and participate in, basin-wide, cross-sectoral and/or larger initiatives.

Revised Delivery of Benefits: Strategies, Measures, Targets

Activities/ Programs	Key Strategies	Measures	Targets 02/03	Targets 03/04	Targets 04/05
To effectively gain and apply knowledge on residents', community, regional and sectoral priorities and issues.	1. Arrange and attend meetings with groups, agencies and industry representatives in Basin communities as needed or requested. 2. Ensure availability of staff in regional offices to hear from and provide information to residents coming into offices.	Percentage of community liaison staff time devoted to working with communities.	10%	15%	20%

To support cultural, economic, environmental, education, and social initiatives that address the priorities in the Basin and Basin communities.	1. Design and develop programs to administer funds in the sector initiatives funding envelopes. 2. Provide an oversight function and administrative support to local government and other program delivery partners. 3. Provide and improve administrative and financial support for the programs which support basin-wide and cross-sectoral capacity building and/or larger initiatives.	Percentage of Basin residents satisfied that Columbia Basin Trust programs and funding are addressing Basin and community priorities.	Necessary policy and operational mechanisms in place for delivery of programs.	Baseline to be established.	Increase by 10%.

To provide leadership, recognition and mentoring opportunities for Basin youth.	1. Provide opportunities for youth to engage in funding projects. 2. Develop and disseminate information by and for Basin youth. 3. Provide an oversight function for delivery partners and/or programs which encourage youth involvement in community service. 4. Review and administer Youth Community Service Award.	Number of youth engaged in Columbia Basin Trust youth initiatives. Number of youth involved in community service.	75 75	112 125	130 150
To convene, coordinate, facilitate and/or engage in public education for Basin residents, organizations and agencies.	1. Ensure staff is available to work with key stakeholders and to attend/arrange meetings as requested, or when the need becomes apparent. 2. Establish protocols for accessing and engaging staff.	Percentage of staff time devoted to convening, coordinating, facilitating and/or engaging in public education.	10%	15%	20%

Gaining Knowledge of Residents' Priorities:

Objective: To effectively gain and apply knowledge of residents', community, regional and sectoral priorities and issues.

	Actual	Target
02-03	Target achieved.	10% of community liaison staff time devoted to working with communities.
03-04	The organization is likely to achieve this target by the end of 2004.	20% of community liaison staff time devoted to working with communities (from 2004-2006 Service Plan).
04-05	The organization is very likely to achieve this target.	20% of community liaison staff time devoted to working with communities (from 2004-2006 Service Plan).

Support Community and Sectoral Priorities:

Objective: To support cultural, economic, environmental, education, and social initiatives that address the priorities in the Basin and Basin communities.

	Actual	Target
02-03	Target achieved for the most part. Economic, environmental, educational, social and cultural programs continue to be delivered throughout the Columbia Basin.	Necessary policy and operational mechanisms in place for delivery of programs.
03-04	The organization anticipates being able to establish this base before the end of FY 2004 through the communication evaluation.	Baseline of Basin residents satisfied with Columbia Basin Trust programs to be established (from 2004-2006 Service Plan).
04-05	The organization anticipates that the information coming out of the evaluation and through working with communities will increase the likelihood of meeting this target.	Percentage of Basin residents satisfied to increase by 10% (from 2004-2006 Service Plan).

Although most policy and operational mechanisms are now in place, there were a few gaps identified through the Landfall evaluation that are still in the process of being addressed.

Supporting Basin Youth:

Objective: To provide leadership, recognition and mentoring opportunities for Basin youth.

	Actual	Target
02-03	232 youth engaged in Columbia Basin Trust programs (108 involved in youth initiatives and 124 involved in community service).	75 youth engaged in Columbia Basin Trust youth initiatives and 75 youth involved in community service (from 2004-2006 Service Plan).
03-04	Based on past experience with Columbia Basin Trust's youth programs the organization anticipates meeting these targets.	112 youth engaged in Columbia Basin Trust youth initiatives and 125 youth involved in community service (from 2004-2006 Service Plan).
04-05	Based on past experience with Columbia Basin Trust's youth programs the organization anticipates meeting these targets.	130 youth engaged in Columbia Basin Trust youth initiatives and 150 youth involved in community service (from 2004-2006 Service Plan).

Youth involved in community service has been measured by the number of applicants for the Columbia Basin Trust's Youth Community Service Award annually. This likely underestimates the number of youth involved in community service, but since it is the only youth award based on community service it indicates a strong measure of youth involvement in community service.

Working with Basin Residents:

Objective: To convene, coordinate, facilitate and/or engage in public education for Basin residents, organizations and agencies.

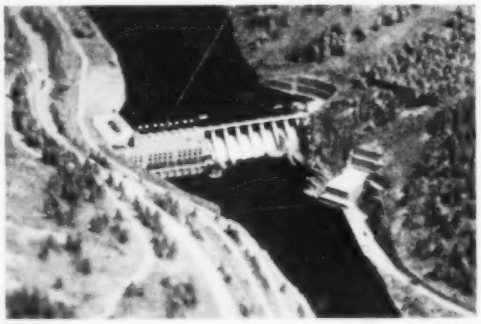
	Actual	Target
02-03	Achieved	10% of staff time devoted to convening, coordinating, facilitating and/or engaging in public education.
03-04	The organization is likely to achieve this target by the end of 2004.	15% of staff time devoted to convening, coordinating, facilitating and/or engaging in public education (from 2004-2006 Service Plan).
04-05	The organization is very likely to achieve this target.	20% of staff time devoted to convening, coordinating, facilitating and/or engaging in public education (from 2004-2006 Service Plan).

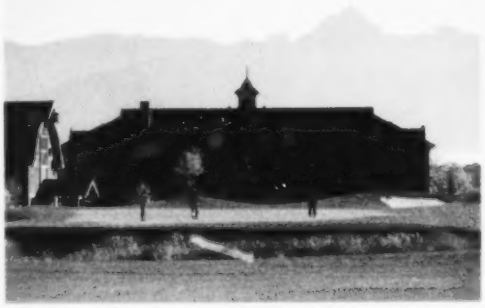
Financial
REPORT

Management
DISCUSSION AND ANALYSIS

INVESTMENT PORTFOLIO REVIEW

Fiscal year 2003 was another banner year for Columbia Basin Trust with the attainment of a number of significant milestones in the year. This included the first full year of operations for the Arrow Lakes Generating Station, the completion of the upgrades to the Brilliant Dam, the tendering of the Brilliant Expansion Project, the development of real estate at the Kicking Horse Mountain Resort and the completion of the Castle Wood Village congregate care facility in Castlegar, BC.





The successful operation of the Arrow Lakes Generating Station for 12 months resulted in earnings from this investment of in excess of $11 million in the year. The major portion of this income accrued to Columbia Basin Trust as part of an early completion incentive to Peter Kiewit Sons Co. Ltd. for finishing the project earlier than the originally scheduled completion date. Columbia Basin Trust shared in a portion of this revenue, with the result being a large one-time increase in revenue and earnings for the year.

The completion of the upgrades to the Brilliant Dam and regular inflationary price escalations resulted in annual earnings of in excess of $2.7 million from this power plant. Tendering for the construction of the Brilliant Expansion Project took place in July 2002. The evaluation process resulted in the Brilliant Expansion Consortium, formed by Skanska-Chant JV, Civil Engineering, SNC- Lavalin Inc. and Skanska International Civil Engineering AB, being chosen as the preferred bidder. A design-build contract for $167 million was signed with this group in February 2003 and construction of the project began in April 2003.

Further development of the Kicking Horse Mountain Resort continued in the year. The latest residential development was sold out within hours of being offered to the public for sale. The construction of the Vagabond Lodge, the resorts first ski in/ski out property, was announced in the year. This property will be constructed during the summer of 2003. Lots for single-family homes in The Cache Residences, an upscale subdivision of luxury mountain homes at the base of the resort, were sold out during the year.

The Delta St. Eugene Mission Resort went through another full season of operations in 2003. The construction of the casino and hotel components of the resort was completed by the end of the year. The casino opened in the fall of 2002 and the hotel opened in February of 2003. This will attract more international travelers to the resort and make it known as a must-see destination spot in the Basin.

The Castle Wood Village congregate care facility was completed in June 2002 and the first residents started moving in during the summer months of 2002. Castle Wood Village is a 77-suite complex that caters to seniors by providing a comfortable style of living that meets their needs at the later stages of their lives. Lending capital was provided to the Kokanee Springs Golf Course through the Loan Syndication Program to finance the construction of accommodation and dining facilities at the resort.

Columbia Basin Trust converted its debt investment of $1.2 million in Heatwave Drying Systems into preferred shares in the company and increased its total investment to 4.83 million shares or 15 per cent of the equity of the company.

Venture capital investments of $285,000 and $355,000 were made in KPS Material Technologies and Tread Safe Inc. during the year. KPS Material Technologies is involved in the research and development of ceramic powders that are used to coat machine tools and drill bits in order to extend their lives and reduce the cost of replacing this type of equipment. Tread Safe Inc. is an investment in a company that is involved in manufacturing and distributing stair coverings that prevent the occurrence of accidents and injury in public places.

SPENDING PROGRAM OVERVIEW

For the third year in a row, Columbia Basin Trust disbursed in excess of $4 million in benefits to residents in the Basin. A total of $4,036,000 in benefits was delivered in the year with disbursements made in each of the Basin, Geographic and Sector Tiers.

Through the Basin Tier, benefits were delivered to community foundations, land trusts, youth programs and the water initiatives program. A total of $516,000 was disbursed through this tier in FY 2003.

Columbia Basin Trust disbursed $1,299,000 to the local governments in the Basin through the Geographic Tier. These dollars were then used to fund projects that were vetted by the local communities themselves.

A total of $2,221,000 was disbursed through the Sector Tier in the year, with significant amounts going to the economic development, education and training, environment, arts, culture and heritage and social sectors for the delivery of benefits in the Basin.

Funding was also provided to the Columbia Mountain Open Network in order to allow the organization to move closer to putting together a proposal to bring high-speed Internet access to communities in the Basin.

Since Columbia Basin Trust came into existence, in excess of $17 million has been disbursed in benefits in the Basin. Almost $8 million has been provided to local governments through the Geographic Tier. In excess of $2 million has been disbursed through each of the economic development, environment, education and training, arts, culture and heritage and social sector programs on a cumulative basis. The delivery of benefits has been very diverse with virtually all of the goals and objectives in the Columbia Basin Management Plan receiving at least some level of funding.

CAPITAL STRUCTURE AND LIQUIDITY

With the receipt of the second $50 million payment from the Province, Columbia Basin Trust's fiscal situation continues to improve. The bonus power revenue from the Arrow Lakes Generating Station increased the amount of capital available for the delivery of benefits and provided Columbia Basin Trust with some flexibility in determining the future level of disbursements that could be made without impairing Columbia Basin Trust's fiscal status. The application of the second $50 million payment to the receivable from the Province and the payable to Columbia Power Corporation reduced total assets by approximately $9 million. At the same time, net assets dedicated to power projects increased by $18 million. With a reduction in Columbia Basin Trust's debt to equity ratio, the overall financial status of the organization improved during the year, moving it closer to becoming a truly self sufficient organization capable of delivering benefits to Basin residents for many generations to come.

COLUMBIA BASIN TRUST
CONSOLIDATED FINANCIAL STATEMENTS
AS AT MARCH 31, 2003

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RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation of the accompanying consolidated financial statements and all of the information contained in the Annual Report. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include amounts that are based on estimates and judgements. Management believes that the financial statements fairly present CBT's consolidated financial position and results of operations. The integrity of the information presented in the financial statements, including estimates and judgements relating to matters not concluded by fiscal year end, is the responsibility of management. The financial statements have been approved on behalf of CBT's Board of Directors by the Board's Executive Committee.

Management has established and maintained appropriate systems of internal control including policies and procedures which are designed to provide reasonable assurance that CBT's assets are safeguarded and that reliable financial records are maintained to form a proper basis for preparation of financial statements.

The independent external auditors, Yule & Associates, Chartered Accountants, have been appointed by CBT's Board of Directors to express an opinion as to whether the consolidated financial statements present fairly, in all material respects, CBT's financial position, results of operations, changes in net assets and cash flows in conformity with Canadian generally accepted accounting principles. The report of Yule & Associates, Chartered Accountants is included below and outlines the scope of their examination and their opinion on the consolidated financial statements.

Don Johnston
Chief Executive Officer

Robert Krysac, C.G.A.
Chief Financial Officer

AUDITOR'S REPORT

To the Directors of Columbia Basin Trust:

To the Minister of Energy and Mines:

We have audited the consolidated statement of financial position of Columbia Basin Trust as at March 31, 2003 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Columbia Basin Trust as at March 31, 2003 and the results of its operations, changes in its net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Castlegar, B.C.
May 31, 2003

Yule + Associates
CHARTERED ACCOUNTANTS

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2003
(in thousands of dollars)

	2003	2002
ASSETS		
CURRENT		
Cash (Note 4)	$ 18,509	$ 9,476
Accrued investment income	1,596	2,058
Unbilled power project revenue	3,651	3,339
	23,756	14,873
INVESTMENTS		
Power projects (Note 9)	248,876	233,586
Income securities (Note 3)	14,656	20,913
Business loans (Note 5)	23,728	21,728
Real estate (Note 6)	5,862	5,000
Venture capital (Note 7)	1,844	1,204
	294,966	282,431
OTHER		
Commitment receivable from Province of B.C. (Note 13)	104,364	141,266
Deferred amounts (Note 10)	43,162	36,760
	147,526	178,026
	$ 466,248	$ 475,330
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 9,253	$ 4,625
Accrued interest expense	1,657	1,678
Current portion of long-term debt (Note 11)	856	790
	11,766	7,093
LONG TERM DEBT		
Long-term debt (Note 11)	60,914	60,821
Advance from Columbia Power Corporation (Note 13)	99,326	141,266
	160,240	202,087
NET ASSETS (Restricted To)		
Power project investments (Note 16(a))	233,226	215,451
Non-power investments (Note 16(b))	52,181	49,995
Delivery of benefits (Note 16(c))	8,835	704
	294,242	266,150
	$ 466,248	$ 475,330

Approved on behalf of the Board of Directors:

_____ Chair

_____ Vice-chair

The accompanying notes are an integral part of this consolidated statement.

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDING MARCH 31, 2003
(in thousands of dollars)

	2003	2002
REVENUES		
Net investment income		
Power projects (Note 9)	$ 13,636	$ 1,672
Business loans (Note 5)	1,582	1,162
Income securities (Note 3)	794	1,170
Real estate (Note 6)	(97)	(73)
Venture capital (Note 7)	(111)	27
	15,804	3,958
Contribution		
Province of B.C. (Note 1(b))	2,000	2,000
	17,804	5,958
OPERATING EXPENSES		
Board and committee expenses	183	166
Staff remuneration and development	1,789	1,506
Public relations	73	117
Professional and consultants fees	149	75
Corporate travel and meetings	220	200
Information technology/systems	200	121
Office and general	282	275
Amortization	337	354
	3,233	2,814
OPERATING INCOME	14,571	3,144
Investment program write-downs and write-offs (Note 20)	576	1,704
Delivery of benefits (Note 18)	4,036	4,772
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	$ 9,959	$ (3,332)

The accompanying notes are an integral part of this consolidated statement.

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDING MARCH 31, 2003
(in thousands of dollars)

	Restricted To				
	Power Projects Investments	Non-Power Investments	Delivery of Benefits	2003	2002
NET ASSETS, beginning of year	$ 215,451	$ 49,995	$ 704	$ 266,150	$ 223,989
Power project financing earned from the Province of B.C.	13,095	-	-	13,095	45,493
Excess (deficiency) of revenues over expenses	-	-	9,959	9,959	(3,332)
Additional power project cash distributions available for the spending program	(358)	-	358	-	-
Interest earned on restricted power project funds	5,038	-	-	5,038	-
Minimum reinvestment required to maintain endowment capital	-	2,186	(2,186)	-	-
NET ASSETS, end of year	$ 233,226	$ 52,181	$ 8,835	$ 294,242	$ 266,150

The accompanying notes are an integral part of this consolidated statement.

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING MARCH 31, 2003
(in thousands of dollars)

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from investment deposits and securities income	$ 1,735	$ 940
Cash received from business loan income	955	1,084
Cash received from rental income	47	14
Cash paid for venture capital investigation expenses	(111)	(77)
Cash generated by power project joint ventures and distributed	3,125	2,475
Cash generated by power project joint ventures and not distributed	13,949	2,812
Cash received from the Province of B.C.	2,000	2,000
Cash paid for operating expenses	(3,173)	(2,369)
Cash paid for spending program disbursements	(4,036)	(4,772)
	14,491	2,107
CASH FLOWS APPLIED TO INVESTING ACTIVITIES		
Investment in power projects	(14,434)	(56,911)
Investment in deferred power project costs	(7,209)	(4,017)
Disposal of investment deposits and securities	6,258	9,267
Investment in business loans	(1,429)	(2,221)
Investment in real estate projects	(1,130)	(2,717)
Investment in venture capital	(640)	(1,204)
Purchase of Trust office assets	(112)	(457)
Proceeds from disposal of real estate	-	581
	(18,696)	(57,679)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions from the Province of B.C.	50,000	50,000
Repayment of long term advance from Columbia Power Corporation	(36,902)	(4,508)
Proceeds from placement of long-term debt	945	15,712
Repayment of long-term debt	(805)	(550)
	13,238	60,654
INCREASE IN CASH	9,033	5,082
CASH, beginning of period	9,476	4,394
CASH, end of period	$ 18,509	$ 9,476

The accompanying notes are an integral part of this consolidated statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars)

1. NATURE OF COLUMBIA BASIN TRUST

(a) Columbia Basin Trust Act (Bill 7-1995)

Columbia Basin Trust ("CBT") is a not-for-profit corporation established on July 6, 1995 when Royal Assent was given to the Columbia Basin Trust Act, an Act of the Province of British Columbia. The Act states that CBT is not an agent of the Province, has the power and capacity of a natural person and provides for CBT to be controlled by a regional board of directors. The majority of the board is appointed by local governments in CBT's region of operations rather than by the Province. The Directors have been given the powers and the responsibility to manage or supervise the management of CBT's affairs. The sole share of CBT is to be held by the Minister of Finance and Corporate Relations on behalf of the Province.

Section 4 of the Act states that the purpose of CBT is to invest, spend and otherwise manage the Regional Allocation and CBT's other assets, including any assets that may be transferred to it, for the ongoing economic, environmental and social benefit of the region.

(b) Funding of Columbia Basin Trust and Power Project Investments

Under the Agreement of July 27, 1995 between the Province and CBT, the Province will pay CBT, for purposes of paying operating expenses, $2,000 annually through the year 2010 (a total commitment of $32,000). On April 1, 1996, the Province made a regional benefit program payment to CBT of $45,000. The Province will pay CBT, for the purposes of investing in power projects, the sum of $250,000 by payments of $50,000 on April 1st of each of the years 2001 through 2005 and an additional payment on April 1, 2000 equal to half the book value of the Expansion Rights Amount (expansion rights pertaining to the existing Brilliant and Waneta dams' power generation capability). The book value of the Expansion Rights Amount as at March 31, 1997 was $51,850.

CBT's power project activities are to be conducted by subsidiaries of CBT, which are to participate in power projects through unincorporated joint ventures. The Province covenants to invest $250,000 in Columbia Power Corporation (CPC), for the purpose of paying capital costs of the power projects, by payments of $50,000 on April 1st of each of the years 1996 through 2000 and a reduction in the April 1, 2000 payment equal to half the book value of the Expansion Rights Amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The accounts of CBT and its subsidiaries are consolidated in these financial statements. Intercompany balances and transactions have been eliminated. The interest of CBT's subsidiaries in joint ventures is consolidated by CBT on a proportionate basis. Under the proportionate consolidation method, CBT records, on a line-by-line basis within its consolidated financial statements and notes, its proportionate share of the joint ventures' assets, liabilities, revenues, expenses and cash flows.

(b) Revenue Recognition

CBT follows the deferral method of accounting for contributions. Endowment contributions are recognized as direct increases in net assets. Future power project financing payments are recognized as a long-term commitment receivable from the Province to the extent that they have been earned, and based on the criteria that the amount earned can be reasonably estimated and ultimate receipt from the Province is reasonably assured.

(c) Income Securities

Deposits and short-term debt securities held for investment purposes are recorded at cost, which approximates market value. If the value of a particular deposit or security held for investment suffers an other than temporary decline in value the carrying value is written down accordingly. All gains and losses on sales of securities, write-downs to record other than temporary declines in the values of deposits or securities held for investment, and the amortization of discounts or premiums are included in the net investment income from income securities figure in the consolidated statement of operations.

(d) Business Loans

Loans are stated net of an allowance established to recognize anticipated losses. This allowance is determined by reference to specific loans in arrears and by judgment of management based on loan collection experience. A general allowance is also maintained to absorb credit losses attributable to any deterioration in the loan portfolio for which specific allowances cannot yet be determined.

(e) Capitalization and Amortization

Capital assets are recorded at cost and are amortized annually at rates calculated to write-off the cost of assets over their estimated useful lives. Amortization begins when assets are placed into service.

(i) Power project

Arrow Lakes power project	-straight line over 11 to 100 years
Brilliant power project	-straight line over 30 to 60 years

(ii) Real estate

Buildings and improvements	- straight line over 30 years

(iii) CBT office

Computer equipment and software	- straight line over 3 years
Office furniture & equipment	- straight line over 5 years
Leasehold improvements	- straight line over 7 to 10 years
Building	- straight line over 30 years

(f) Deferred Amounts

Costs incurred in determining the feasibility of acquiring investments are deferred. When a project's acquisition or development is complete, the deferred costs form part of the capital cost of the project. If a project is abandoned, the related deferred costs are charged to operations in the period of abandonment. The appropriateness of deferring a project's costs is considered annually. When a project's costs exceed those likely to be recovered, the excess costs are charged to operations.

(g) Deferred Debt Issue Costs

Expenditures incurred in issuing long-term debt are deferred and amortized on a straight line basis over the term of the related debt.

(h) Taxes

CBT is exempt from income taxes under paragraph 149(1) (d) of the Income Tax Act. CBT is also exempt from Federal large corporations tax under subsection 181.1(3) of the Income Tax Act. CBT is subject to B.C. corporations capital tax under section 3(1) of the Corporation Capital Tax Regulation as amended on March 29, 1996.

(i) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. INCOME SECURITIES

(a) Income Securities Portfolio

	March 31, 2003	March 31, 2002
Issued by Chartered Banks:		
C.I.B.C.	$ 1,011	$ 6,169
Bank of Nova Scotia	2,913	2,913
	3,924	9,082
Issued by Credit Unions:		
Revelstoke Credit Union	4,667	4,315
Kootenay Savings Credit Union	4,000	3,698
Columbia Valley Credit Union	2,000	2,562
Arrow Credit Union	35	35
Castlegar Savings Credit Union	22	21
Nelson District Credit Union	8	5
Creston and District Credit Union	-	1,195
	10,732	11,831
	$ 14,656	$ 20,913

(b) Net Investment Income

(For the years ended)

	March 31, 2003	March 31, 2002
Net investment income	$ 794	$ 1,170
Return on investment deposits and securities	4.46 %	3.88 %

(c) Restrictions on Income Securities

CBT's deposit holdings are not marketable. CBT, on 90 days written notice, may redeem up to 10% of deposit placements initially made for a period of one year or longer, without cost or penalty, provided that such redemptions occur only once during a particular deposit's term.

$3,924 of the $14,656 deposits and securities figure is not available to CBT. This amount includes CBT's $2,913 share of a Debt Service Reserve Fund and $1,011 share of a segregated Operating Reserve Account required under the terms of joint venture debt financing. Columbia Basin Power Company (CBPC) has established a debt service reserve fund in which it maintains cash or cash equivalents equal to one semi-annual payment on the Series A and Series B Brilliant Project Bonds. The CBPC is also required to maintain an operating reserve account in an amount equal to one-quarter of annual operating expenses.

4. RESTRICTED CASH

Cash is comprised of cash in bank accounts in both Canadian and U.S. currencies. Cash and temporary investments held in U.S. dollars in the amount of U.S. $3,750 (Cdn $5,519) offset a U.S. dollar current liability in accordance with the terms of the Arrow Lakes Supplemental Agreement with Peter Kiewit Sons Co. Ltd.

5. BUSINESS LOANS

CBT has included in its consolidated financial statements and notes the following business loans:

	March 31, 2003	March 31, 2002
Loan Syndication Program	$ 7,018	$ 5,742
Regional Lending Program	3,196	3,044
St. Eugene Golf Course	7,890	7,166
Kicking Horse Mountain Resort	5,619	5,619
	23,723	21,571
Deferred Loan Costs	314	355
	24,037	21,926
Less: Loan Loss Allowance	(309)	(198)
Business Loans	$ 23,728	$ 21,728

	March 31, 2003	March 31, 2002
Loan Loss Allowance:		
Impaired Loans	$ 419	$ 413
Less: Amounts where loss is not expected	(195)	(298)
Specific allowances	224	115
General loan loss reserve	85	83
Loan Loss Allowance	$ 309	$ 198

(a) Loan Syndication Program

CBT Small Business Investment Corp. (CBT SBI) established a loan syndication program to provide liquidity to the capital markets in the basin by matching funds through a pooling arrangement with the financial institutions in the basin. The terms of these loans range in length from three to fifteen years and are generally secured by real estate.

(b) Regional Lending Program

CBT has provided lending capital to the Community Futures Development Corporations of the Columbia Basin Region for lending to small businesses. The terms of these loans range from one to five years and are generally secured by real estate.

(c) St. Eugene Golf Course

The St. Eugene golf course is an eighteen-hole golf course located on the St. Mary's reserve near Cranbrook, B.C. Debt financing was provided to the St. Eugene Mission Hotel and Golf Course Funding Corporation (Fundco) by CBT St. Eugene Hotel/Golf Corp. in the form of a ten year term loan bearing interest at 10% and repayable on January 18, 2011. The loan is secured by second charges on the golf course and casino subleases and first charges on the parking lot and hotel subleases. The subleases relate to land protected under the Indian Act.

(d) Kicking Horse Mountain Resort

The Kicking Horse Mountain Resort is a four-season alpine resort development situated in Golden, B.C. CBT Golden Peaks Development Corp. has provided a 10 year term loan to the Kicking Horse Mountain Resort Limited Partnership at a minimum rate of 8% per annum and a variable interest component that is subject to the operating results of the borrower. The loan is repayable on December 7, 2009 and is secured by a second charge on all assets of the resort.

Net business loan income consists of:

(For the years ended)	March 31, 2003	March 31, 2002
Business loan interest income:		
Loan syndication program	$ 511	$ 466
Regional lending program	267	236
St. Eugene Golf Course	685	360
Kicking Horse Mountain Resort	444	437
	1,907	1,499
Less:		
CBT overhead allocation	(97)	(163)
Investment monitoring costs	(64)	(67)
Loan syndication administration fees	(3)	(2)
CFDC loan administration fees	(94)	(82)
Loan loss provision-general	(2)	(33)
Loan loss provision-specific	(109)	(70)
	1,538	1,082
Fee income	44	80
Net business loan income	$ 1,582	$ 1,162

6. REAL ESTATE PROJECTS

CBT's interest in real estate projects is as follows:

	Cost	Accumulated Amortization	March 31, 2003	March 31, 2002
Castle Wood Village				
Land	$ 236	$ -	$ 236	$ 236
Building and improvements	3,620	(74)	3,546	2,623
Castlegar Building				
Land	52	-	52	52
Building and improvements	1,959	(131)	1,828	1,894
Brilliant School				
Land	81	-	81	81
Building and improvements	128	(19)	109	114
Projects under development	10	-	10	-
	$ 6,086	$ (224)	$ 5,862	$ 5,000

The real estate projects are held for the purpose of earning rental income. The portion of the Castlegar building occupied by CBT offices is excluded from real estate projects.

Net real estate income consists of:

(For the years ended)	March 31, 2003	March 31, 2002
Rental income:		
Castle Wood Village	$ 157	$ -
Castlegar Building	125	125
	282	125
Rental expenses:		
Amortization of building and improvements	(144)	(70)
Finance charges	(104)	-
Operation of real estate assets	(66)	(78)
CBT overhead allocation	(65)	(50)
	(379)	(198)
Net real estate income	$ (97)	$ (73)

7. VENTURE CAPITAL INVESTMENTS

CBT's interest in venture capital investments is as follows:

	March 31, 2003	March 31, 2002
Heatwave Drying Systems Ltd.	$ 1,204	$ 1,204
KPS Material Technologies Inc.	285	-
Tread Safe Inc.	355	-
	$ 1,844	$ 1,204

(a) Heatwave Drying Systems Ltd.

In April 2002, CBT converted a $1,204 debenture to 2.68 million preferred shares in the company and increased its total investment to 4.83 million shares or 15% of the common equity of the company.

(b) KPS Materials Technology Inc.

CBT's investment represents advances against a total potential commitment of $1,000 to assist the company develop its proprietary ceramics technology. CBT's agreement with the developer of the technology includes an option for the developer to acquire shares in the company for a nominal value and guarantees the developer representation on the Board of Directors equal to CBT's representation. CBT, notwithstanding its share ownership, does not control the company; accordingly, the investment is being accounted for as venture capital.

(c) Tread Safe Inc.

CBT acquired 10% of the common equity of the company and a royalty interest in future sales of the company's principal product.

Net venture capital income consists of:
(For the years ended)

	March 31, 2003	March 31, 2002
Investment revenue	$ -	$ 104
Less:		
CBT overhead allocation	(41)	(37)
Professional fees	(70)	(40)
	$ (111)	$ 27

8. JOINT VENTURES

CBT participates in joint ventures with other parties and accounts for its interests using the proportionate consolidation method. The following amounts represent CBT's proportionate share of the assets, liabilities, revenues, expenses and cash flows of these joint ventures:

	March 31, 2003	March 31, 2002
Assets		
Current assets	$ 11,505	$ 7,098
Investments	256,564	237,959
Other assets	41,885	35,261
	309,954	280,318
Liabilities		
Current liabilities	10,940	6,454
Long-term debt	85,489	96,860

Net Assets		
Power project investments	212,484	175,817
Non-power investments	1,041	1,187
	$ 309,954	$ 280,318
Net Income		
Revenues	$ 44,957	$ 12,973
Operating expenses	(25,827)	(7,383)
Finance charges	(5,553)	(4,958)
	$ 13,577	$ 632
Cash Flows		
Operating activities	$ 17,083	$ 5,881
Investing activities	(22,689)	(63,629)
Financing activities	(11,762)	35,483
	$ (17,368)	$ (22,265)

9. POWER PROJECTS

CBT's power project assets are as follows:

	Cost	Accumulated Amortization	March 31, 2003	March 31, 2002
Brilliant Powerplant Project				
Capital assets in service	$ 101,478	$ (9,210)	$ 92,268	$ 84,813
Land	2,360	-	2,360	2,359
	103,838	(9,210)	94,628	87,172
Arrow Lakes Powerplant Project				
Capital assets in service	140,603	(2,812)	137,791	130,633
Power sales contract	11,376	(109)	11,267	11,376
Land	4,616	-	4,616	3,386
Prepaid expenses	574	-	574	1,019
	157,169	(2,921)	154,248	146,414
	$ 261,007	$ (12,131)	$ 248,876	$ 233,586

(a) Brilliant Powerplant Project

On May 3, 1996, the Columbia Basin Power Company (CBPC) joint venture was formed for the purpose of acquiring the Brilliant Dam, a 125 MW powerplant located on the Kootenay River near Castlegar, B.C. This generating plant will deliver approximately 850 gigawatt hours of electricity annually and is currently being upgraded to increase its generating capacity by 20 MWs.

(b) Arrow Lakes Powerplant Project

The Arrow Lakes Powerplant Project is a powerplant that consists of two generating units with a capacity of approximately 185 MWs constructed 400 meters downstream of the B.C. Hydro Hugh Keenleyside dam near Castlegar, B.C. Water enters the powerplant via a 1,400 meter approach channel bypassing the existing Hugh Keenleyside dam. The project also consists of a 49 km 230 kv transmission line that extends from the powerplant to the BC Hydro substation at Selkirk. The second of two generating units at this plant was commissioned in May 2002.

(c) Power Sales Right

CBT paid $11,376 for the right and obligation to provide up to 86 average MWs to B.C. Hydro from January 1, 2003 to December 31, 2014. CBT and CPC intend to fulfill their power delivery obligation by way of the Arrow Lakes Powerplant Project power entitlement from the B.C. Hydro system. The power sales revenue attributable to the right are projected to recover the cost of the right and the cost of constructing the Arrow Lakes Powerplant Project.

Net power project income consists of:

(For the years ended)	March 31, 2003	March 31, 2002
Sales of power:		
Arrow Lakes and Brilliant powerplant revenue	$ 44,800	$ 12,973
Expenses:		
Operation of powerplants	(20,410)	(4,092)
Finance charges	(5,447)	(4,958)
Amortization of powerplant assets	(4,767)	(1,657)
Investment monitoring and CBT overhead	(540)	(594)
	$ 13,636	$ 1,672

10. DEFERRED AMOUNTS

The deferred amounts figure includes the following asset categories:

	March 31, 2003	March 31, 2002
Expansion rights	$ 25,925	$ 25,925
Deferred development - Power projects	15,358	8,742
Deferred debt issue costs	605	595
CBT office assets	1,274	1,498
	$ 43,162	$ 36,760

(a) Expansion Rights

CPC purchased the hydroelectric power expansion rights pertaining to the existing Brilliant and Waneta dams' power generation capability from Cominco Ltd. in 1994. These rights include options to acquire lands near the Waneta and Brilliant dams at no additional cost and the right to develop and operate new hydroelectric facilities on these lands.

(b) Deferred Development - Power Projects

The deferment of power project costs is based on management's judgement of anticipated future events. A number of significant estimates and qualitative factors have been considered by management in determining the viability of each project. Changes in significant assumptions underlying future cash flow estimates for a project can have a material effect on the economic viability of a project.

Project	Identification	March 31, 2002	Fiscal 2003 Expenditures	Transfers and write-offs	March 31, 2003
BEP	Brilliant Expansion	$ 5,619	$ 6,528	$ -	$ 12,147
WEP	Waneta Expansion	1,871	258	-	2,129
WUP	Waneta Upgrades	458	118	(576)	-
BSSN	Brilliant Substation	794	288	-	1,082
		$ 8,742	$ 7,192	$ (576)	$ 15,358

	Project Design	Environmental Analysis	Socioeconomic Analysis	Finance Legal Analysis	CPC / CBT Management	March 31, 2003
BEP	$ 5,713	$ 1,356	$ 269	$ 1,354	$ 3,455	$ 12,147
WEP	650	645	13	40	781	2,129
BSSN	-	-	-	501	581	1,082
	$ 6,363	$ 2,001	$ 282	$ 1,895	$ 4,817	$ 15,358

(i) Brilliant Expansion Project

The Brilliant expansion project is a proposal to install an additional estimated 120 MWs power generation facility near the existing Brilliant dam. The Venturers own the Brilliant dam and the existing power facility. CBT's co-venturer CPC paid $26,500 in 1994 to Teck Cominco Limited (Teck Cominco) to purchase the rights to undertake an expansion. Expressions of interest were solicited and received from two international engineering, construction and turbine manufacturing teams for a design-build contract in July 2002.

The evaluation process resulted in the Brilliant Expansion Consortium (BEC) formed by Skanska/Chant/SNC Lavalin being chosen as the preferred bidder. Treasury Board approval for the project was received in January 2003. The Design-Build contract for $167,000 with BEC was signed February 25, 2003. Construction of the project began in April 2003.

(ii) Waneta Expansion Project

The Waneta expansion project is a proposal to install an additional estimated 380 MWs power generation facility at the existing Waneta dam. The Waneta dam is owned by Teck Cominco to whom CBT's co-venturer, CPC, paid $25,400 in 1994 to purchase the rights to undertake an expansion.

The project's construction cost is estimated to be approximately $300,000 over a four year period. It is projected that construction of the project will follow completion of the Brilliant Expansion Project. The project would be financed with a combination of long-term debt and equity consistent with industry practice. The Venturers' equity requirements will be funded by power project financing payments from the Province of B.C.

(iii) Waneta Upgrades Project

The Waneta upgrades project is a proposal to purchase the estimated 100 MWs of power entitlements attributable to modifications of the existing power generation facilities at the Waneta dam from Teck Cominco. Due to the inability of the parties to successfully negotiate an upgrades agreement over the past seven years, the expenditures incurred in investigating this project have been expensed.

(iv) Brilliant Substation Project

The Brilliant Substation is a proposal to enter into a strategic partnership arrangement with Aquila Networks Canada (ANC) whereby CPC and CBT will own, build and finance a new $19,000 Brilliant substation and interconnect the Arrow Lakes Powerplant to the Selkirk 230 kv transmission line at Brilliant as part of ANC's System Development Project (SDP). A binding agreement on an investment in the new substation was signed by the parties in April 2002. Construction of the substation began in 2002 and will be completed in the summer of 2003.

(c) Deferred Debt Issue Costs

	March 31, 2003	March 31, 2002
Deferred debt issue costs	$ 740	$ 704
Accumulated amortization	(135)	(109)
	$ 605	$ 595

(d) CBT Office Assets

	Cost	Accumulated Amortization	March 31, 2003	March 31, 2002
Computer equipment	$ 637	$ (505)	$ 132	$ 176
Computer software	439	(328)	111	199
Office furniture and equipment	269	(187)	82	103
Leasehold improvements	323	(180)	143	174
Building	885	(79)	806	846
	$ 2,553	$ (1,279)	$ 1,274	$ 1,498

11. LONG-TERM DEBT

	March 31, 2003	March 31, 2002
Power project joint venture debt:		
Principal outstanding at April 1, 2002 (and at April 1, 2001)	$ 59,838	$ 46,289
Issuance of Series "B" Brilliant Bonds	-	14,100
Repayment of principal during the year	(790)	(550)
	59,048	59,839
Real estate joint venture debt:		
Principal outstanding at April 1, 2002 (and at April 1, 2001)	1,772	-
Issuance of commercial mortgage	965	1,772
Repayment of principal during the year	(15)	-
	2,722	1,772
	61,770	61,611
Current portion of long-term debt	(856)	(790)
	$ 60,914	$ 60,821

All joint venture debt is issued on a non-recourse basis. The security provided by a joint venture is limited to the rights and assets of the individual joint venture and does not extend to the rights and assets of CBT, except to the extent of CBT's investment in that joint venture. The Series A and B Brilliant Project Bonds (the Bonds) are repayable in equal semi-annual payments of principal and interest amortized over 30 years and 24 years respectively to May 31, 2026 at semi-annual interest rates of 8.93% and 6.86%. The Bonds are redeemable by CBPC in whole or in part at any time before May 31, 2026 at a price equal to the greater of the principal amount then outstanding or a price calculated to provide a yield to maturity based on the current yield of a matching duration Government of Canada bond plus 0.30 %.

The Bonds are secured on a limited recourse basis by charges against the Brilliant Dam assets and revenues. The agreements with the Bondholders include requirements for a debt service reserve fund, an operating reserve account commitment and a sustaining capital expenditure commitment. Further, cash distributions to the Venturers by CBPC are restricted to cash available after a series of payment priority conditions have been assessed. The payment priority conditions include provisions for operating and maintenance expenses, capital maintenance expenditures and debt repayments.

The purpose of the commercial mortgage (the mortgage) is to provide financing for the acquisition of land and the construction of a 77-suite congregate care facility in Castlegar, B.C. called Castle Wood Village. Total mortgage proceeds of approximately $5,474 (CBT's portion is $2,737) was provided upon completion of the facility in June 2002. The mortgage will be repayable in equal monthly payments of principal and interest amortized over 24 years and 9 months at an interest rate of 6.55%. The mortgage is secured on a limited recourse basis by a first, fixed and floating charge over all the assets of the facility.

12. NON-RECOURSE CREDIT FACILITY OF JOINT VENTURE

Consistent with its agreements with its Bondholders, CBPC has established a $10,000 credit facility. The facility shares the same security as the Bondholders and can be accessed by way of loans, bankers acceptances, letters of credit and for purposes of interest rate swaps. Proceeds from the facility can be used for capital or operating expenditures.

13. ADVANCE FROM COLUMBIA POWER CORPORATION & COMMITMENT RECEIVABLE FROM PROVINCE OF B.C.

Under the terms of its joint venture agreements with CBT, CPC is required to make interest free advances to the joint ventures on behalf of CBT for the purpose of funding CBT's share of power project joint venture activities. Such advances are repayable by CBT upon receipt of payments under CBT's power project capital financing agreement with the Province of B.C. (Note 1(b)). The commitment receivable from the Province of B.C. reflects power project financing earned by CBT through its power project investment activities.

14. COMMITMENTS

(a) Columbia Basin Power Company

Under its agreements with its Bondholders, CBPC has committed to keep the Brilliant dam in good operating condition and to affect all necessary repairs and replacements to the Brilliant dam to maintain the Brilliant dam entitlement in a manner that is consistent with good industry practice.

(b) CBT Office

CBT has entered into operating lease agreements for its office space for terms expiring at various dates in the future.

15. CONTINGENCIES

CBT's power project operations and investments activities are affected by federal, provincial and local government laws and regulations. Under current regulations, CBT is required to meet performance standards to minimize or mitigate negative impacts of proposed projects. Furthermore, CBT's agreements with its Bondholders require compliance in all material respects with such laws and regulations. The impact, if any, of future legislative or regulatory requirements on specific projects and their related deferred costs and financing covenants cannot currently be estimated.

16. RESTRICTIONS ON NET ASSETS

(a) Restricted To Power Project Investments

Power project investment capital is restricted to reflect the Province's condition that its power project financing contributions are to be used to finance the equity requirements of power projects.

(b) Restricted To Non-Power Investments

Non-power investment capital is restricted to reflect the Province's condition that its regional benefit program contribution be used to finance investment activities and the Columbia Basin Management Plan's requirement that this capital be restricted to non-power investments.

(c) Restricted To Delivery of Benefits

Net investment income and certain other distributions from the Investment Program are restricted to future Delivery of Benefit activities. In addition, operating surpluses have been set aside for the Delivery of Benefit by CBT's Board of Directors. Under the Columbia Basin Management Plan, distributions from the Investment Program are made after minimum reinvestments have been made to maintain the value of CBT's non-power investment capital.

(d) Minimum Reinvestment To Maintain Endowment Capital

Endowment capital includes both power project and non-power investment capital. Under the Columbia Basin Management Plan, minimum reinvestment amounts to maintain CBT's endowment capital will form part of the non-power investment capital pool. CBT's power project investments are structured to repay the financial capital invested along with a return on that capital while it is invested. The structured return over a period of 30-60 years of CBT's financial capital invested in power projects is an effective hedge against a long-term loss of value due to inflation given that at the end of the repayment period CBT continues to hold an interest in the power projects.

A portion of CBT's non-power investments is presently invested in monetary assets. Monetary assets are impacted by inflation. CBT has determined that a $2,186 (fiscal 2002 - $855) minimum reinvestment of net investment income is required to maintain the value of its non-power investment capital. This figure was calculated by comparing the change in the Canadian Consumer Price Index from April 2002 to March 2003.

17. RELATED PARTY TRANSACTIONS

(a) CBT Directors' and Advisory Committee Members' Remuneration

Section 11 of the Columbia Basin Trust Act provides for CBT's Directors to be compensated for their work at rates which do not exceed a rate determined by the Minister of Energy and Mines. Where Directors are members of the Province's Legislative Assembly or are public servants or receive remuneration from any other source for acting as a Director of CBT, they receive no compensation from CBT.

(b) Power Project Joint Ventures

Under the terms of their joint venture agreements, CPC and CBT charge the joint ventures for management services. The amounts charged include staff compensation and general overhead costs attributable to joint venture activities.

		March 31, 2003	March 31, 2002
(i)	Payments to Columbia Power Corporation	$ 4,470	$ 4,259
(ii)	Payments to CBT	$ 883	$ 644

The joint venturers also paid $381 (fiscal 2002 - $2,274) to B.C. Hydro and Power Authority for project consulting services, which were provided at market rates.

(c) Other

During the year, CBT paid a consulting firm associated with a Director of CBT Energy Inc. $470 (fiscal 2002 - $566) for computer software, management services and consulting services.

18. DELIVERY OF BENEFITS

(a) Spending program disbursements

Tier	March 31, 2003	March 31, 2002
Basin	$ 516	$ 1,058
Geographic	1,299	1,297
Sector	2,221	2,417
	$ 4,036	$ 4,772

(b) Spending program commitments

The following commitments were made to several of CBT's delivery partners at the end of the year:

Tier	March 31, 2003	March 31, 2002
Basin	$ 302	$ 351
Geographic	1	-
Sector	108	192
	$ 411	$ 543

19. FINANCIAL INSTRUMENTS

(a) Fair value

CBT's financial instruments consist of cash and cash equivalents, securities, receivables, accounts payable, accrued liabilities and long-term debt. The carrying values reported in the balance sheet for cash and short-term investments, receivables, accounts payable and accrued liabilities approximate fair value, due to the short-term nature of those instruments. The fair values of the securities and the long-term debt are not significantly different from their carrying values.

(b) Interest rate risk

CBT is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and current liabilities.

(c) Credit risk

CBT's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents, securities and business loans. Cash and cash equivalents and securities are invested in securities issued by well-capitalized financial institutions with investment grade credit ratings. An assessment of the credit worthiness of a borrower is carried out prior to the placement of a business loan.

20. INVESTMENT PROGRAM WRITE-DOWNS AND WRITE-OFFS

	March 31, 2003	March 31, 2002
Investigation of Waneta Upgrades project	$ 576	$ -
Proposal to acquire the UNC generation business	-	1,634
Investigation of other projects	-	70
	$ 576	$ 1,704

The Waneta upgrades project was a proposal to purchase the estimated 100 MWs of power entitlements attributable to modifications of the existing power generation facilities at the Waneta dam. The investigation and analysis of this project that was conducted over the past seven years involved a number of studies and consultants' reports that were necessary before a decision could have been made to proceed with the project. Teck Cominco, the owner of the Waneta dam, has completed three of the four generating unit upgrades without the involvement of CBT or CPC. In fiscal 2003 the project was abandoned and the project costs expensed.

21. SUBSEQUENT EVENTS

On April 1, 2003, the Province paid the third of five $50,000 payments to CBT that form part of the Regional Allocation that will be used to pay for the capital costs of power projects. An agreement on interconnection and investment in a new substation near the Brilliant powerplant was signed with Aquila Networks Canada in April 2003. Construction of the substation began in 2002 and will be completed in the summer of 2003. The capital cost of the project is expected to be approximately $23,000.

Brilliant Expansion Power Corporation (BEPC), an incorporated joint venture, was formed under an agreement between CPC and CBT for the purpose of constructing the Brilliant expansion project. All costs for the project were transferred from the Power Project Planning joint venture (PPPJV) to BEPC after yearend.

22. ECONOMIC DEPENDENCE

The Agreement of July 27, 1995 between the Province and CBT states that the Province's annual payments to CBT are subject to the appropriation of sufficient funds in that fiscal year's Provincial Budget. The future operating and investing activities of CBT are dependent upon the continued receipt of funding under that Agreement.

23. COMPARATIVE FIGURES

Certain 2002 comparative figures have been reclassified to conform to the current year's presentation.

Corporate GOVERNANCE

BOARD MANDATE AND MEMBERSHIP

To invest, spend and otherwise manage the regional allocation and the corporation's other assets, including any assets that may be transferred to it, for the ongoing economic, environmental and social benefit of the region, including, without limitation, for:

- the social well-being of the residents of the region,
- the preservation, protection and enhancement of the environment of the region, the economic development of the region, and
- any other prescribed purposes, without relieving any level of government from any obligations it might have with respect to the region.

Under the conditions of the *Columbia Basin Trust Act*:
There must be appointed to the Board of Directors of the corporation 18 individual residents in the region of whom:

- Two must be appointed by the Board of the Regional District of Central Kootenay, currently Josh Smienk and Bill Cowan.
- Two must be appointed by the Board of the Fraser-Fort George Regional District, currently Jeannette Townsend and Bill Kruisselbrink.
- Two must be appointed by the Board of the Columbia Shuswap Regional District, currently Loni Parker and Ron Oszust.
- Two must be appointed by the Board of the Kootenay Boundary Regional District, currently Dieter Bogs and Gordon Titsworth.
- Two must be appointed by the Board of the Regional District of East Kootenay, currently Greg Deck and Mike Kartasheff;
- Two must be appointed by the Ktunaxa Kinbasket Tribal Council, currently Garry Merkel and Joe Pierre; and
- Six must be appointed by the Lieutenant Governor in Council, currently six vacancies.

MANDATE AND MEMBERSHIP OF BOARD COMMITTEES

Executive Committee
Mandate: The purpose of the Executive Committee is to oversee the organization, operation and development of Columbia Basin Trust on behalf of the Board of Directors.

Membership:
Josh Smienk, Chair
Garry Merkel, Vice Chair
Greg Deck
Don Johnston, CEO

Audit Committee:
Mandate: The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities by ensuring the accuracy and integrity of the Columbia Basin Trust financial information. Audit Committee responsibilities also include the systems of internal control, which management and the Board of Directors have established, and the internal and external audit processes.

Membership:
Mike Kartasheff, Chair
Bill Kruisselbrink
Dieter Bogs
Bob Krysac, CFO

Communications Committee:
Mandate: The Communications Committee assists the Columbia Basin Trust to maintain better communications and co-operation with Sector Steering Committees, service providers, delivery partners and Basin residents, and make policy recommendations to the Columbia Basin Trust Board.

Membership:
Bill Kruisselbrink, Chair
Mike Kartasheff
Jane Hutchins, Manager, Operations and Planning
Jody Lamb, Communications Officer

Investment Committee:
Mandate: To develop a successful portfolio of investments in the Basin which will help to stimulate the regional economy and which provide a reliable stream of income for use in Columbia Basin Trust's delivery of benefits activities.

Membership:
The Executive Committee will serve as an interim Investment Committee with the addition of key staff:
Josh Smienk
Garry Merkel
Greg Deck, Chair
Don Johnston, CEO
Bob Krysac, CFO
Dave Strachan, Manager, Investments

Water Initiatives Committee:
Mandate: The Water Initiatives Committee will assume a leadership role in addressing water initiatives within the Basin. The committee will strive to balance and represent Basin residents' interests in a range of water initiatives in the Basin.

Membership:
Garry Merkel, Chair
Josh Smienk
Ron Oszust
Bill Kruisselbrink
Don Johnston, CEO
Kindy Gosal, Manager, Water Initiatives
Jody Lamb, Communications Officer

Names and job titles of senior management teams of organization and subsidiaries:

Columbia Basin Trust Senior Management Team:
Don Johnston, CEO
Bob Krysac, CFO
Dave Strachan, Manager, Investment
Jane Hutchins, Manager, Operations and Planning
Agnes Koch, Monitoring and Evaluation

CBT ENERGY INC. BOARD MANDATE AND MEMBERSHIP

Columbia Basin Trust formed CBT Energy Inc. (CBT Energy) in 2000. CBT Energy supports the mission and vision of the Columbia Basin Trust in the energy industry. The Columbia Basin Trust is the sole shareholder of CBT Energy and confirms the membership of the CBT Energy Board of Directors on an annual basis. The Board of Directors must be capable of representing the interests of the Columbia Basin and possess suitable levels of industry experience and expertise in the areas of power project investment and management, electricity trade and natural gas markets. CBT Energy regularly reports to the Columbia Basin Trust Board of Directors on all developments that may affect the Columbia Basin Trust's overall strategic, operational or financial planning.

The CBT Energy Board oversees the operation of CBT Energy and its wholly-owned subsidiaries. The Board holds meetings on a quarterly basis. It reviews the business plan produced by senior management and monitors the performance of the company throughout each fiscal year. In addition, the Board sets policy in areas critical to CBT Energy's operations. These areas include power project investment, development and management. CBT Energy's policies take into account a wide range of issues, including changes to the energy market, regulatory environment, Columbia River Treaty, environmental issues and alternate energy. All of the Board's planning processes include a thorough examination of strategic risks and appropriate risk management.

CBT Energy owns several subsidiaries that hold 50 per cent interests in the unincorporated joint ventures with Columbia Power Corporation. The unincorporated joint ventures are investors in the existing joint venture power projects.

Representatives of the CBT Energy Board sit on the joint venture committees that manage the existing and planned joint venture power projects. The CBT Energy Board appoints half of the committees' members; Columbia Power Corporation appoints the remaining half of the joint venture committees' members.

CBT Energy Inc. Board of Directors:
Josh Smienk, Chair (Columbia Basin Trust Board Chair)
Dieter Bogs, Director, Columbia Basin Trust
Ken Epp, CEO, CBT Energy Inc.
George Fraser, General Manager, Northern California Power Agency
Don Johnston, CEO, Columbia Basin Trust
Cam Osler, President and Senior Consultant of Intergroup Consultants Ltd.

CBT Energy Inc. Management Team:
Ken Epp, CEO
Don Johnston, CBT CEO
Josh Smienk, CBT Board Chair
Bob Krysac, CBT CFO

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